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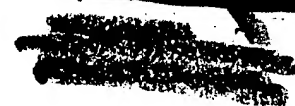


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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Saturday, 29 July 1989



Approved for Release
Date JUN 1999



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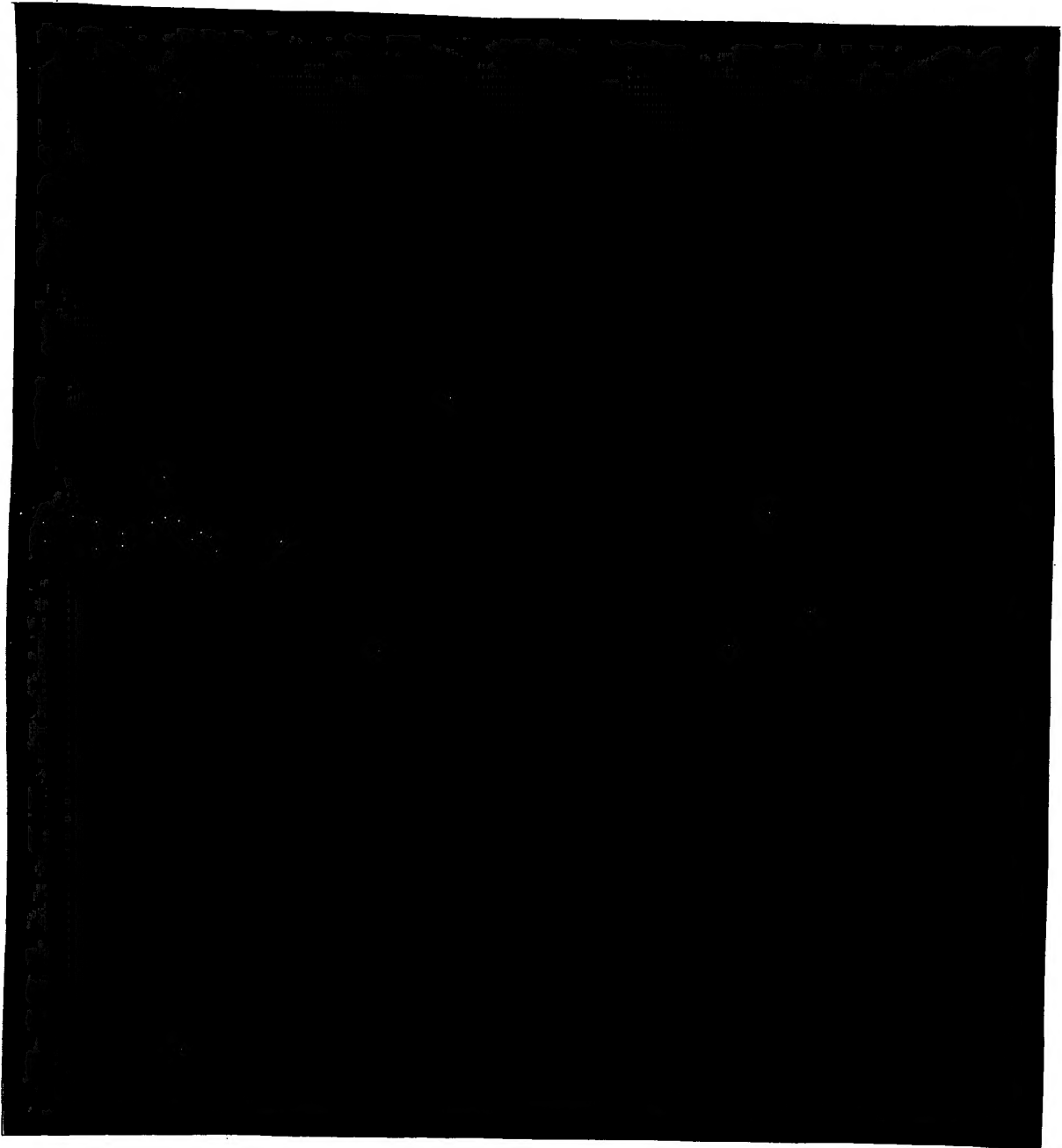
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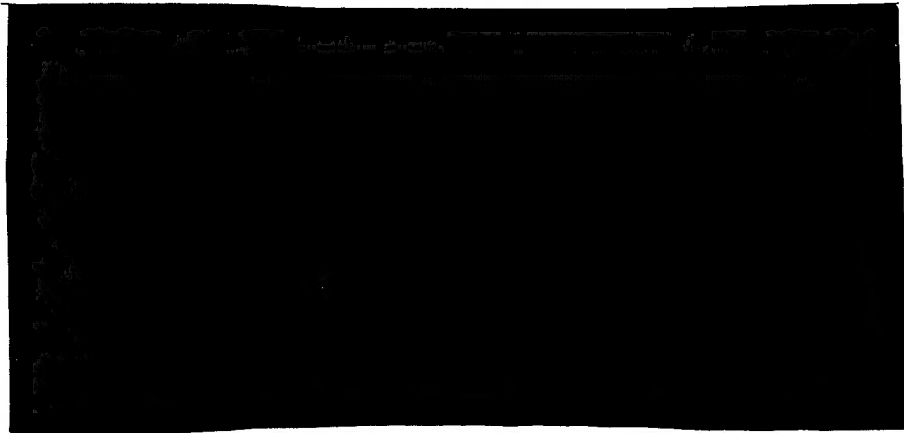
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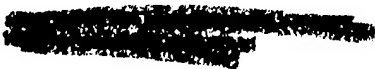
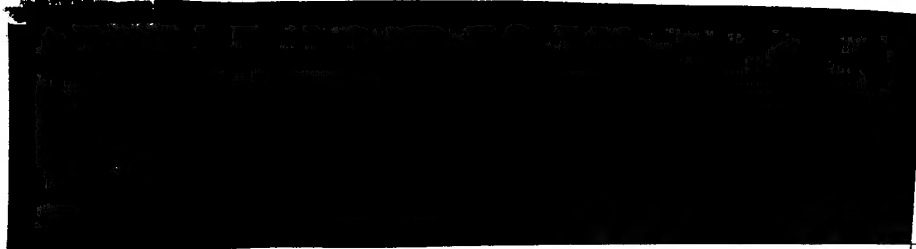
LEBANON-SYRIA: Raising the Stakes

Syria and Lebanese Christian Prime Minister Awn this week intensified fighting in Beirut as the Arab League foreign ministers Tripartite Committee on Lebanon prepared to meet in Rabat today.

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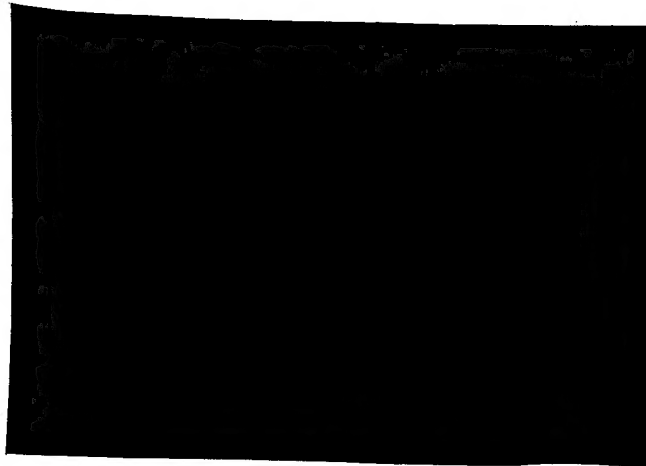
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ISRAEL-LEBANON: Abduction of Hizballah Shaykh

The Israeli kidnapping of Hizballah cleric 'Abd al-Karim Ubayd might provoke threats against US hostages and increased attacks against Israeli targets in Lebanon and northern Israel. [REDACTED] b (3)

Approximately a dozen Israeli raiders landed from helicopters at the village of Jibshit, 5 km west of the Israeli-controlled security strip in southern Lebanon, and seized the Hizballah cleric, his nephew, and a third person. [REDACTED]

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Comment: There is no confirmation that Ubayd was involved in Hizballah kidnapping operations, but he publicly supported the Higgins operation. Ubayd is one of the leading Hizballah clerics in southern Lebanon and has been involved in anti-Israeli military operations for most of this decade. The Israelis probably hope the abduction will increase their leverage in negotiating for the release of the three Israeli hostages in Lebanon, particularly navigator Ron Arad, who was taken prisoner by the Shia Amal militia in late 1986 but apparently is now in Hizballah hands. Israel may also hope to learn more about Hizballah activities in the south. [REDACTED]

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Hizballah, possibly with Iranian aid, almost certainly will try to retaliate against Israeli forces for the abduction of the cleric and may even attempt an operation inside Israel. Hizballah may publicly threaten to harm US hostages. [REDACTED]

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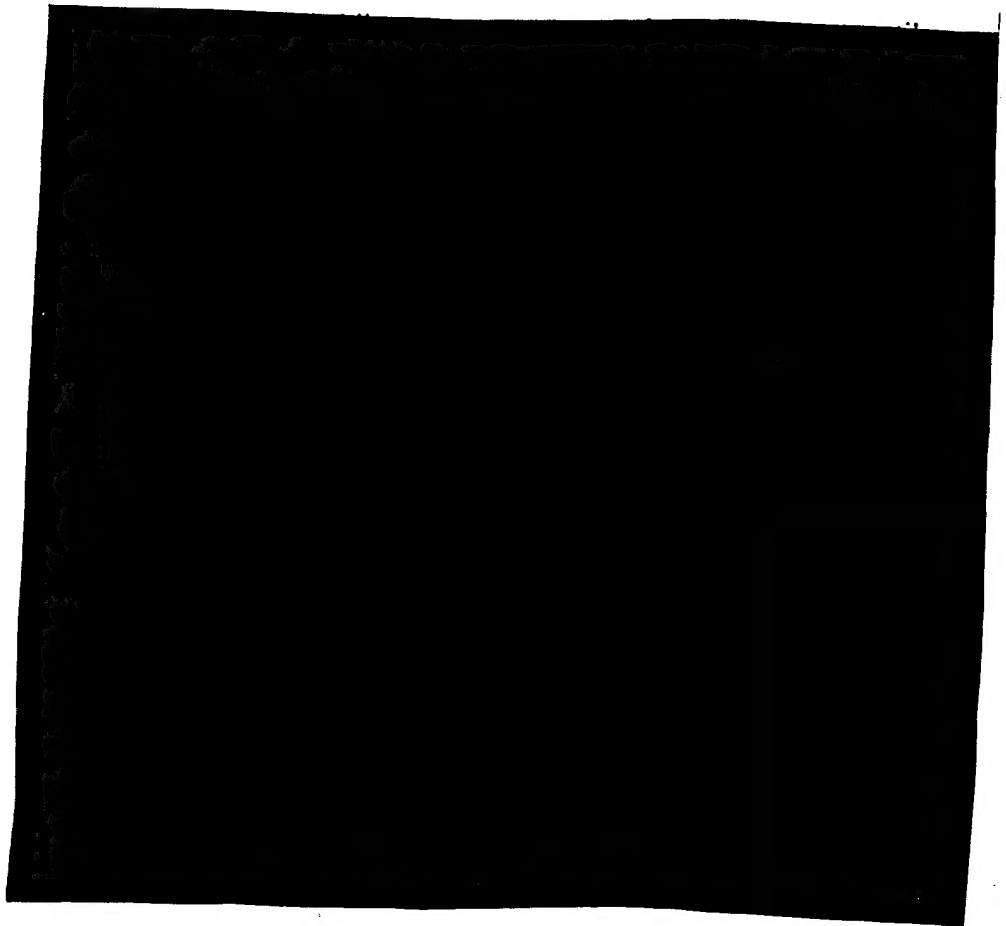
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HONDURAS:

Playing Hardball With the Contras

President Azcona is charging that Washington has failed to compensate Honduras adequately for supporting US regional policies and appears willing to back a plan at the Central American summit next week to demobilize the Contras as soon as possible. ~~██████████~~ b (3)

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USSR:

Preparing for Cambodian Conference

Moscow has hinted that Vietnam and Cambodia may be flexible at the international conference, which begins tomorrow in Paris, and that it will continue to work toward getting them to accept UN involvement.

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Cambodian Prime Minister Hun Sen stopped in Moscow for talks before going on to Paris, and the Soviet and Chinese deputy foreign ministers recently held their first discussions on Cambodia since the Sino-Soviet summit in May.

b3 the Soviets have told Hanoi UN involvement is important in any comprehensive settlement and that Hanoi is now moving toward accepting a UN role.

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b (3) : The Soviets will probably not push Vietnam too far on internal aspects of a settlement, primarily the composition of a provisional government, now that they have normalized relations with China and the Vietnamese withdrawal is almost complete. The instability in China also probably has influenced the Soviet position on Cambodia.

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b3 Moscow will instead probably urge Hanoi to concede on external aspects, such as accepting a UN role and possibly a peacekeeping force. Moscow shares Phnom Penh's and Hanoi's concerns that the resistance currently holds the Cambodian UN seat but may calculate that a role for the UN and even a peacekeeping force are low-cost concessions to keep the settlement process moving.

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Possible Soviet Positions

Moscow has shown no signs of breaking with its Indochinese allies on the key question of the composition of a provisional government.

- Moscow is willing to accept a prominent role for Prince Sihanouk but not to dismantle the existing Cambodian Government apparatus and will probably demand that Hun Sen retain a position of power.
- The Soviets probably would favor a settlement between Sihanouk and Hun Sen's forces if the Khmer Rouge could be prevented from continuing to wage a civil war.
- Moscow accepts the need for some participation of the Khmer Rouge—but not of Pol Pot and his top lieutenants—to avoid an immediate Khmer Rouge military resurgence but will push to have weapons stockpiles liquidated and Khmer Rouge military forces reduced.

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On external issues the Soviets have said for months that they are not opposed to a role for the UN. Although Moscow has not been willing to break with Vietnam publicly on this issue, the Soviets have recently sent mixed signals and may be pressing Hanoi to concede.

- The Soviets will probably push for a provision to end military aid to all Cambodian parties in any settlement.
- Moscow probably will support Vietnam's demands that the UN seat for Cambodia be left vacant and that the annual resolution condemning Vietnam's invasion of Cambodia be dropped or that Vietnam be given recognition for its pullout.
- The Soviets will argue against the Chinese and Sihanouk's idea of reducing the troop strength of each faction to 10,000 troops. Moscow feels enforcement of any reduction is not feasible and would put Hun Sen's regime at a grave disadvantage.

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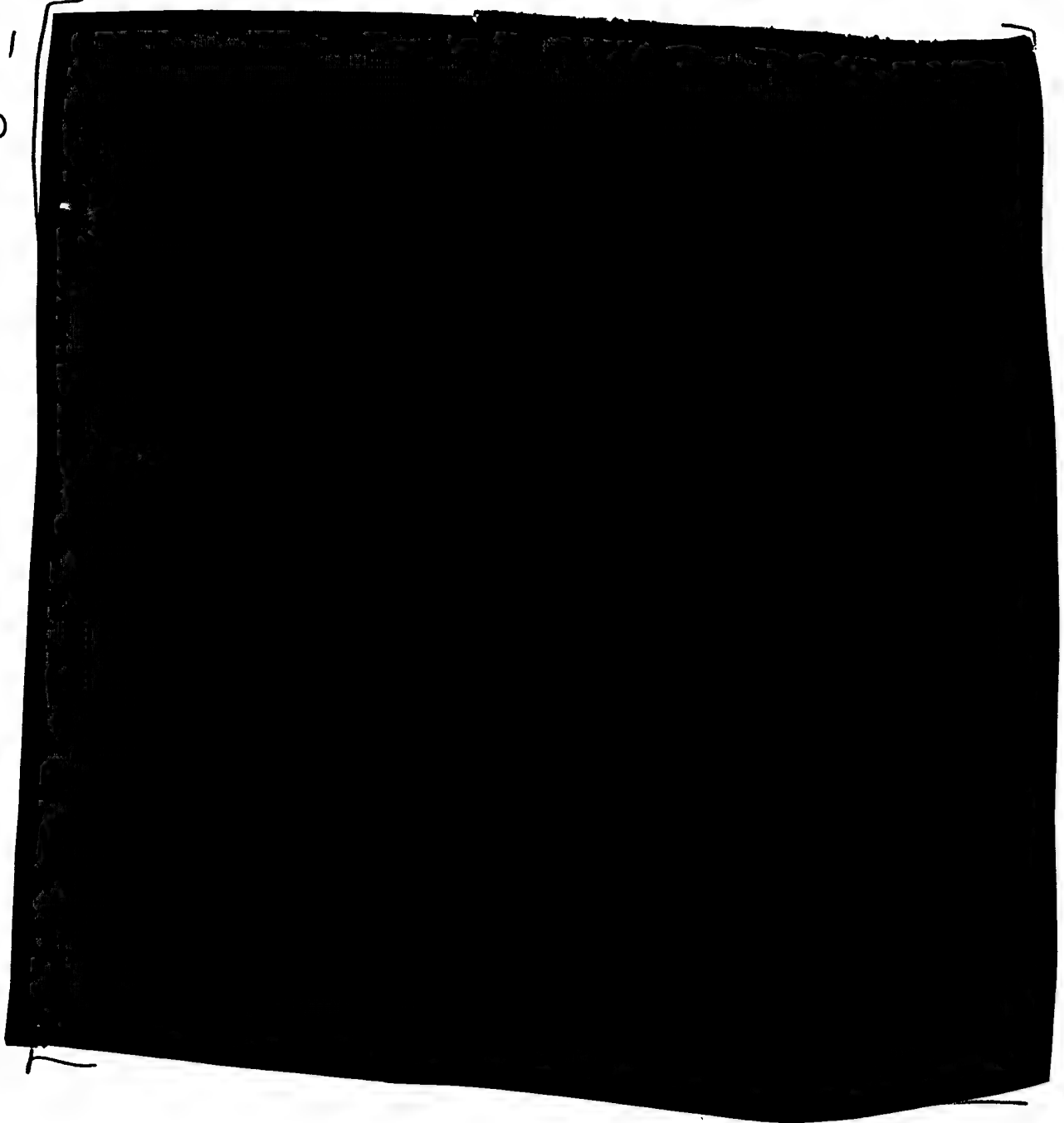
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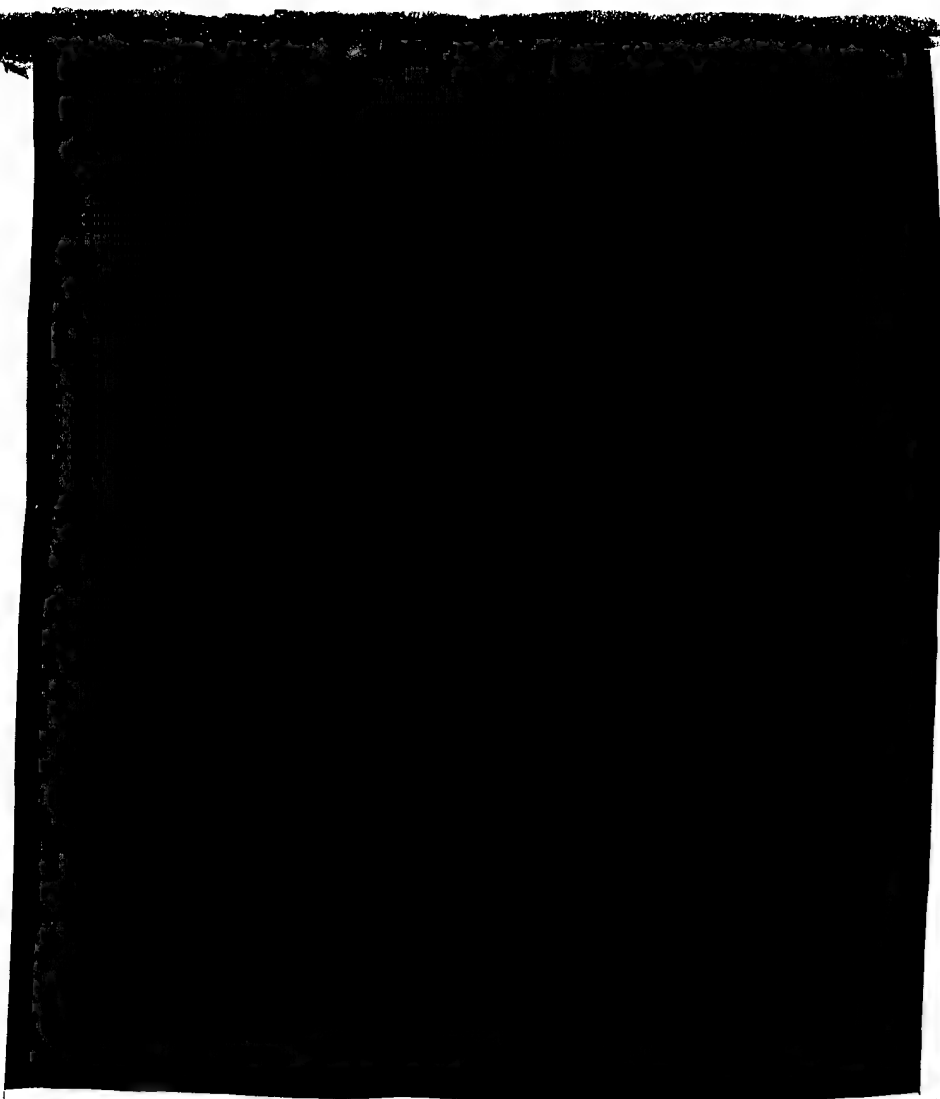
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USSR: Yazov on INF Treaty

Soviet Defense Minister Yazov, in an address yesterday to the Royal Institute of International Affairs at the conclusion of his visit to the UK, suggested the USSR might refuse to abide by the INF Treaty if NATO proceeds with the Lance follow-on. Yazov said that, if the SS-23 short-range ballistic missile was eliminated and if the US began to build the Lance, "we will be forced to again make this Oka" [the SS-23]. The INF Treaty requires all SS-23s to be destroyed by December; it bans further production. [REDACTED] b (3)

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[REDACTED] During a press conference in Bonn two months ago, Soviet Foreign Minister Shevardnadze threatened to halt destruction of SS-23s or to deploy a new missile if NATO proceeded with Lance modernization. After strong Western criticism, Shevardnadze publicly disavowed any intent to upset the INF Treaty. Although Yazov's threat may represent a similar misstatement, it almost certainly reflects military concern about NATO plans for nuclear modernization [REDACTED]

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b3**USSR: Increasingly Sophisticated Weapons in Georgia**

Four bombings, all in the past week, have been reported in ethnic clashes between Georgians and Abkhazians in the Soviet Georgian Republic. The attacks include a reported grenade attack on nationalist leaders in Tbilisi and the bombing of a professor's home in Abkhazia. On Thursday, troops killed a sniper who allegedly was using a submachinegun; this is the first reported resort to lethal force by MVD troops in Abkhazia. [REDACTED]

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[REDACTED] Tactics in the Georgian-Abkhazian conflict are shifting from random brawls, less frequent recently, to calculated attacks on prominent individuals and the use of high-powered weapons—an evolution that parallels tactics used in the Armenian-Azeri conflict over Nagorno-Karabakh. The attack on Georgian nationalist leaders suggests that groups of extremists with some sophistication in terrorist tactics and strong political motivations have coalesced. Both sides appear to have easy access to explosives, possibly through the regional mining industry. The extremists' willingness to use these techniques to eliminate rivals and to intimidate the citizenry will complicate efforts by MVD forces to stabilize the situation and to obtain local cooperation. [REDACTED] b (3)

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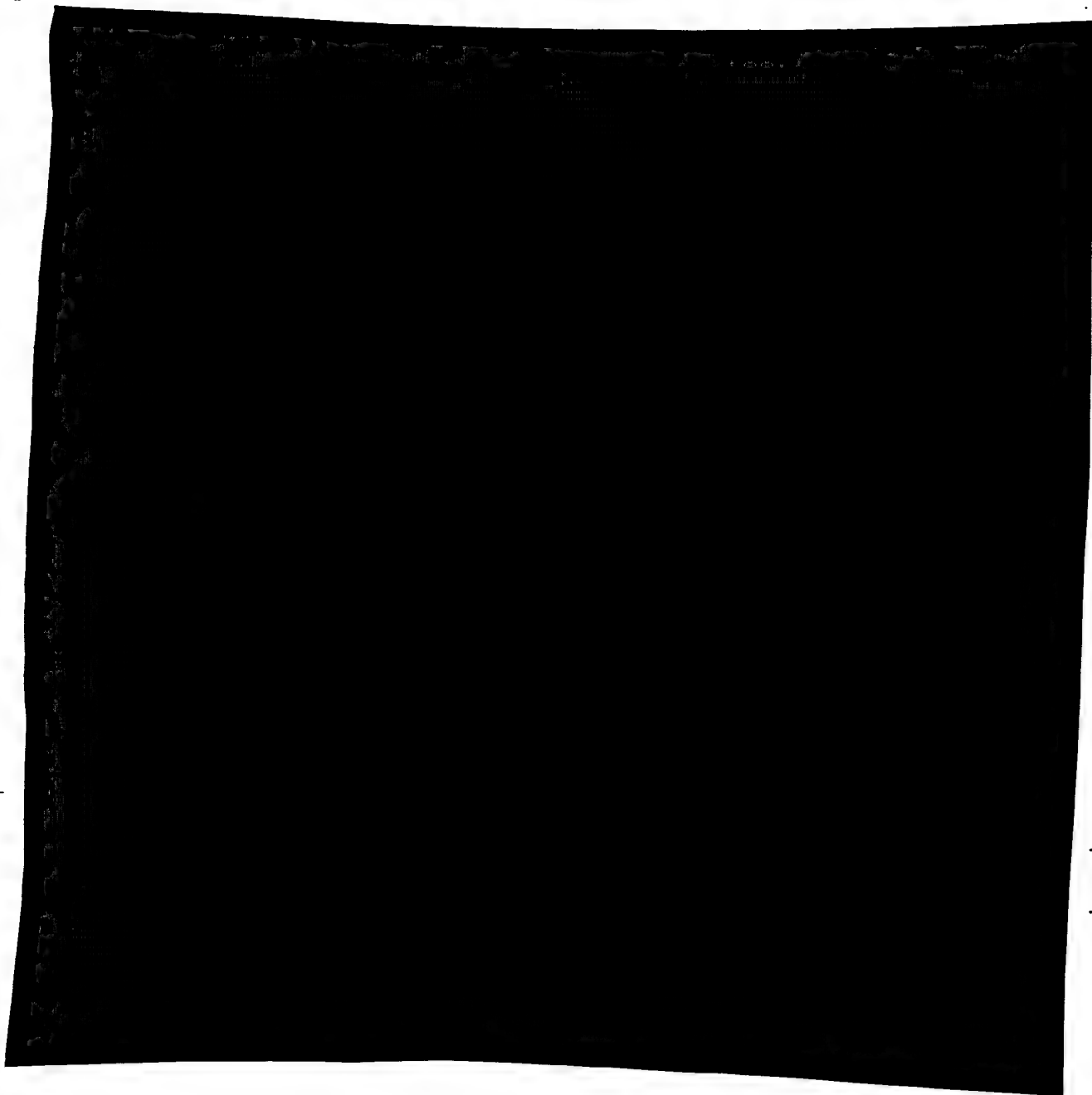
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USSR: Reformist Deputies Organizing

Independent members of the Congress of People's Deputies, including party maverick Boris Yel'tsin, are to convene in Moscow today to strengthen contacts and prepare for the second session of the Congress, which opens late this fall. The group, ~~_____~~ b (3) numbers more than 300 deputies, is to discuss legislation on local elections, cooperatives, land ownership, consumer goods, prices, and corruption. They have already set up a coordinating council. The reformist deputies also intend to publish a newspaper. ~~_____~~ b (3)

b (3) ~~_____~~ Although the reformist deputies have been lobbying hard to increase their numbers and resolve their differences, they are still much less than a coherent faction. During the first Congress session, they comprised no more than a fifth of the 2,250 deputies on most issues. Several independent Baltic deputies recently claimed that they have resolved some of their policy differences and that some orthodox leaders, such as Politburo member Ligachev, have lessened their hostility. Many Central Asian deputies and those from the Russian hinterland remain suspicious. This weekend's talks also could stimulate deputies of other political stripes to organize. With popular figures like Yel'tsin among them, the independent deputies could exert a strong influence. ~~_____~~ b (3)

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CHINA: Politburo Launches Anticorruption Campaign

China's Communist Party, at the end of its two-day Politburo meeting yesterday, announced a new program to attack official corruption. State-owned firms involved in foreign trade and domestic distribution will be audited, and two firms thought to be engaged in questionable business practices will be closed, including one that has been closely associated with Deng Xiaoping's son. The party plans to ban children of senior cadre from working for trading companies after 1 September, and senior officials who use their positions to obtain favors for their relatives will be subject to party and judicial discipline. Party officials also plan to cut leadership perquisites, including luxury foods and the use of official cars. ~~_____~~ b (3)

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b (3) ~~_____~~ The regime clearly hopes to recapture popular support by making a show of cleaning the party of corruption, one of the major causes of the social discontent that triggered the demonstrations in May. ~~_____~~

~~_____~~ Some party elders are certain to ensure that their children retain lucrative posts, especially in arms export corporations. The leadership may also use the anticorruption drive to discredit Zhao Ziyang and his family and further weaken party reformers. ~~_____~~

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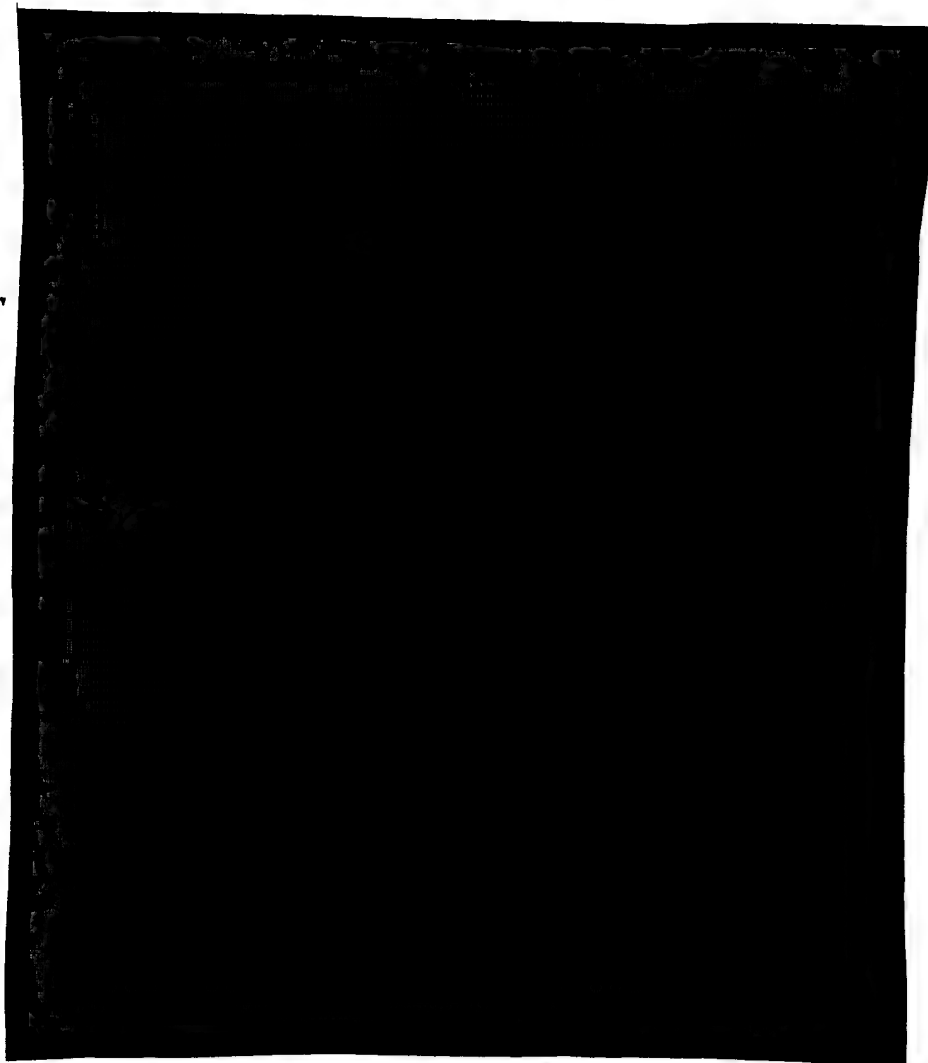
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b3**CHILE: Plebiscite on Constitutional Reform**

Chileans tomorrow will approve the constitutional reforms agreed to by the government and major political parties last month, but their real focus is on the presidential election in December. Only a few of the 54 proposed constitutional changes are significant: easing rules on amending the Constitution under the next government, shortening the term of the next president from eight to four years, enlarging the directly elected membership of the new Senate, and softening the ban on Marxist parties. The Communists are the only important party calling for a "no" vote, and even they are not mounting all-out opposition. The government has tried unsuccessfully to portray the reforms as President Pinochet's and as reflecting his willingness "to perfect" but not fundamentally to alter the Constitution. ~~REDACTED~~ b (3)

b (3) ~~REDACTED~~ Pinochet and his dwindling hardline supporters probably will be the net losers in the plebiscite. After insisting for months on the sanctity of the Constitution, they were forced by cabinet moderates, the Military Junta, and senior Army officers to accede to calls by the opposition and rightists for basic changes. The turnout tomorrow is likely to be lower than in the presidential plebiscite last October, but polls show Chileans are not disenchanted with the democratic process and are intensely interested in the presidential and congressional campaigns. ~~REDACTED~~ b (3)

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SRI LANKA-INDIA: Compromise Solution Eases Tensions

India's announcement yesterday that it will begin withdrawing the approximately 45,000 troops it has in Sri Lanka will defuse much of the immediate tension between the two countries. [REDACTED]

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[REDACTED] the Sri Lankan Foreign Minister will visit New Delhi today to discuss Colombo's request that India also halt offensive operations against Tamil militants. The two sides also will discuss India's concerns that a withdrawal would open the door for Tamil militants to decimate the Tamil groups in the Northeast Province that supported the Indo-Sri Lankan Accord and benefited from India's presence. [REDACTED]

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[REDACTED] Both sides compromised to resolve the immediate impasse. President Premadasa apparently dropped his demand that India recognize him as the commander of India's troops on the island, and New Delhi backed away from its refusal to resume its troop drawdown. The negotiations will address several of the key remaining problems that both sides played down after the withdrawal announcement, including the concerns about violence in the northeast and whether India will call for a cease-fire with the Tamil Tigers, the group that reneged on an Indian-sponsored settlement in 1987. [REDACTED]

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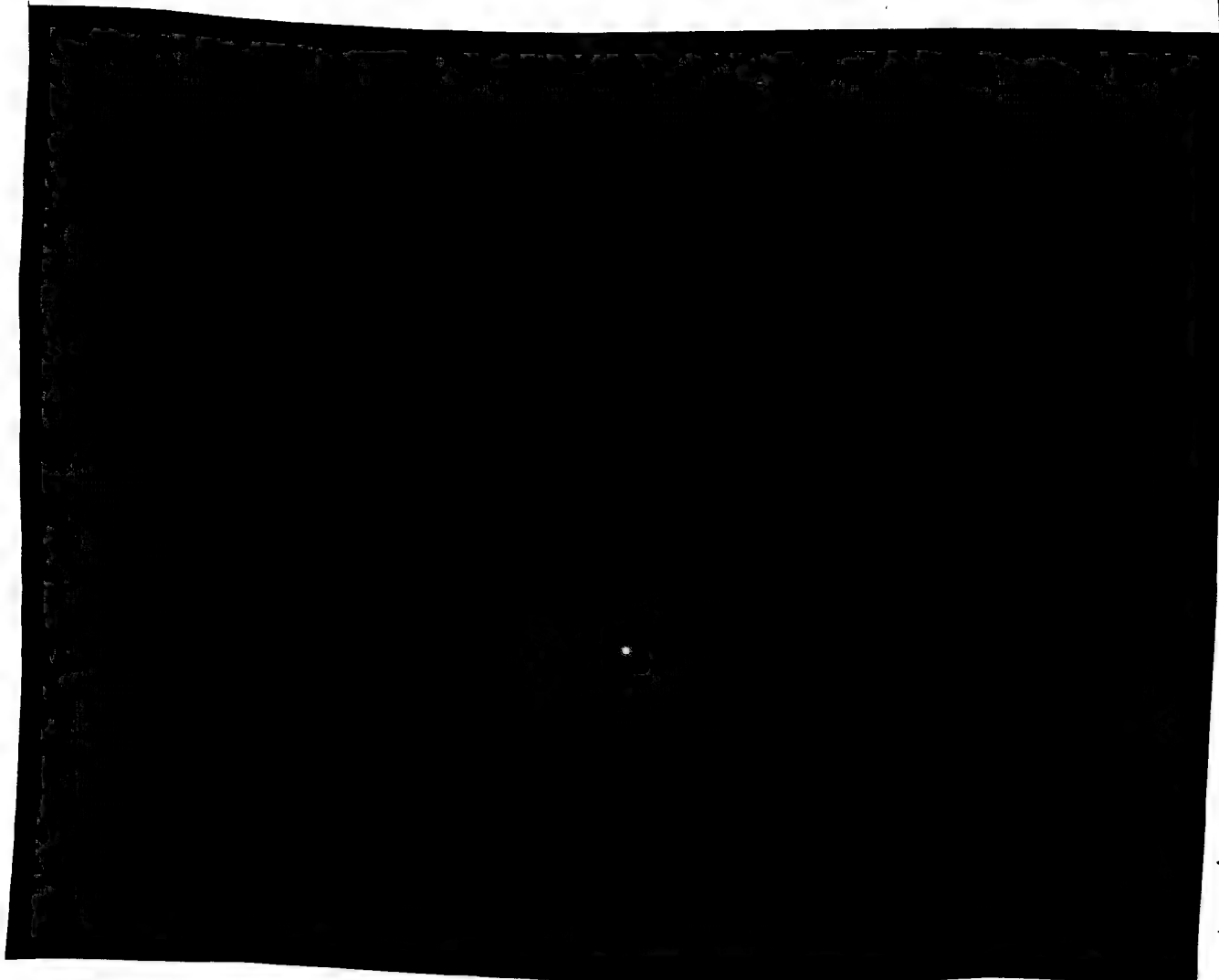
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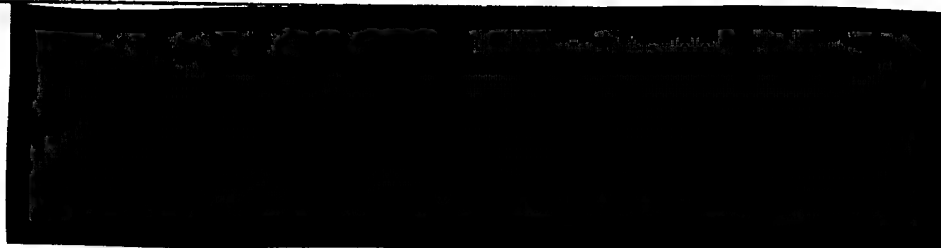
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In Brief

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— USSR prosecutor recently repeated charge Ligachev, other top officials guilty of covering up corruption. . . may have ax to grind, is under KGB investigation for torturing defendants. ~~b (3)~~

— USSR to move 12 villages from Chernobyl area three years after nuclear accident . . . decision follows many reports of radiation contamination, mutations of humans and animals . . . reflects growing pressure from public dissatisfied with cleanup. ~~b (3)~~

Europe

— Czechoslovaks Thursday raided homes of organizers of recent petition and reform Communist group . . . bolder dissident actions, meeting with Solidarity delegation from Poland probably triggered move . . . regime may arrest activists soon. ~~b (3)~~

East Asia

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South Asia

Africa

— Zimbabwe may soon open Cabinet-level contacts with South Africa . . . commercial ties well established . . . President Mugabe long blocked move, Cabinet may be pressing to keep up with neighbors. ~~b (3)~~

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Highlights of OAS Resolution on Panama

Last week, the OAS adopted a resolution on the Panama crisis that:

- Extended the life of the OAS mediation team to 23 August, when the hemisphere's foreign ministers will again meet in Washington to consider further action.
- Called for negotiations between the opposition and the regime that would bring about a "transfer of power" on 1 September through democratic mechanisms and in accordance with current Panamanian procedures.
- Called for a new election as soon as possible.

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Special Analysis

PANAMA:

Moving Beyond OAS Mediation

The Panamanian regime is hailing the recent OAS decision to prolong its mediation effort and to call for new elections as a defeat for Washington and the democratic opposition. The regime is spreading rumors that Defense Chief Noriega is secretly negotiating with the US and is willing to step down if US pressure ends. Noriega may offer the opposition minor concessions to avoid being blamed in case talks break down before the next OAS foreign ministers meeting. He will probably intensify propaganda against US military pressure in order to deflect stronger OAS action and to justify installing a provisional junta in September.

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[REDACTED]

Opposition leaders have reacted to the OAS decision with anger. [REDACTED] and press reports say they are considering not returning to the negotiating table. They publicly continue to insist that the regime recognize their election victory and turn the government over to them [REDACTED]

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Noriega's Negotiating Strategy

The Defense Chief probably views the prolonged mediation as forestalling harsher OAS measures and hurting opposition morale.

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Noriega is also trying to sow fear that the US is negotiating behind the opposition's back.

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[REDACTED]

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Noriega's strategy, however, may make the opposition, already bitter at what it views as an OAS betrayal, walk out of the talks. To avoid blame for such a breakdown, Noriega is leaking word he would be willing to step down if the opposition would participate in a regime-dominated provisional government. [REDACTED]

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He may also offer minor concessions as the mediation deadline approaches and probably will try to split the opposition by enticing second-echelon figures into a coalition government. [REDACTED]

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Moving Beyond Mediation

Noriega seems increasingly concerned about expanded US military exercises in Panama. The Defense Chief has accelerated a campaign to convince Panamanians and Latin leaders that the situation is primarily a struggle between Washington and Panama City, and the regime-controlled press has recently attacked the US exercises as precursors of an invasion. Noriega has sent civilian militias to protest at the gates of US bases, and the Defense Forces are again harassing US personnel. [REDACTED]

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The press has also charged there are US-backed guerrillas in neighboring Costa Rica poised to overthrow the Panamanian Government. [REDACTED]

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Noriega probably believes his two-pronged strategy of appearing conciliatory and portraying Panama as a victim of US aggression will end the OAS mediation effort on favorable terms, freeing him to impose a junta after 1 September. He probably expects that the talks will be stalemated and that the OAS mediators will call the opposition intransigent. He may even try to provoke an incident between US troops and Panamanian civilian militias in the hope that regional leaders will reject US efforts to impose harsher sanctions against a Latin country besieged by Washington. [REDACTED]

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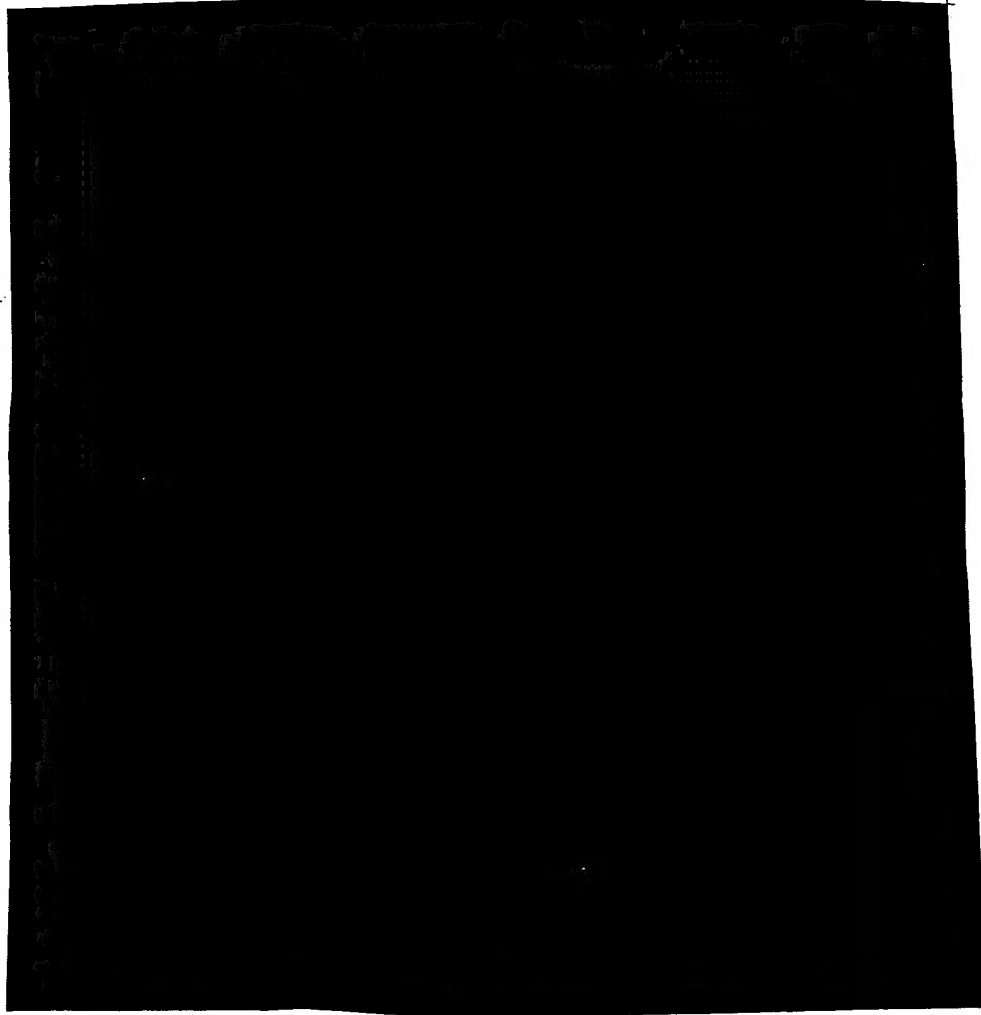
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Special Analysis

USSR:

An Embattled Military

The military leadership faces a series of budget cuts and arms reduction agreements as well as growing public distrust and vocal antimilitarism. These developments seem to be having a divisive effect on the officer corps not unlike the effect President Gorbachev's reforms have had on other institutions. [REDACTED] b (3)

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Since early this year the Defense Ministry has been under increasing pressure to consider a major reform of the conscription system, possibly by creating an all-volunteer professional army or ethnic-based militias. The military leadership [REDACTED] has grown apprehensive of plans to convert defense industrial capacity to producing consumer goods. [REDACTED] b (3)

[REDACTED] the plan Prime Minister Ryzhkov announced to reverse the current product mix, 40-percent civilian and 60-percent military, in the defense industrial sector by 1995. [REDACTED] b (3)

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Meanwhile, [REDACTED] the reduction of the armed forces is not going smoothly. Severe problems of family relocation and housing and inadequate job placement have made many officers fear they will be kept in the service—or forced from it—against their will. Despite promises from political and military officials that the reduction will be made in a thoughtful manner, the high command has yet to get matters in hand, even as criticism from military and civilian critics increases. [REDACTED] b (3)

Indignities at the Congress

The military came face to face in the Congress of People's Deputies not only with overt public distrust and antimilitarism but also with the creation of a new system of public oversight of defense affairs. Some delegates accused the military of firing on demonstrators in Tbilisi and, according to Andrey Sakharov, on its own men in Afghanistan. They excoriated the armed forces for wasteful defense expenditures, and a few delegates even suggested that the military was fomenting a coup. Several senior officers, including Marshal Akhromeyev, expressed anger, saying the criticism was irresponsible. [REDACTED] b (3)

Delegates were especially hard on Yazov. They blamed him for the hollow achievements of military *perestroika* and pelted him with questions. He deflected them defensively. [REDACTED] b (3)

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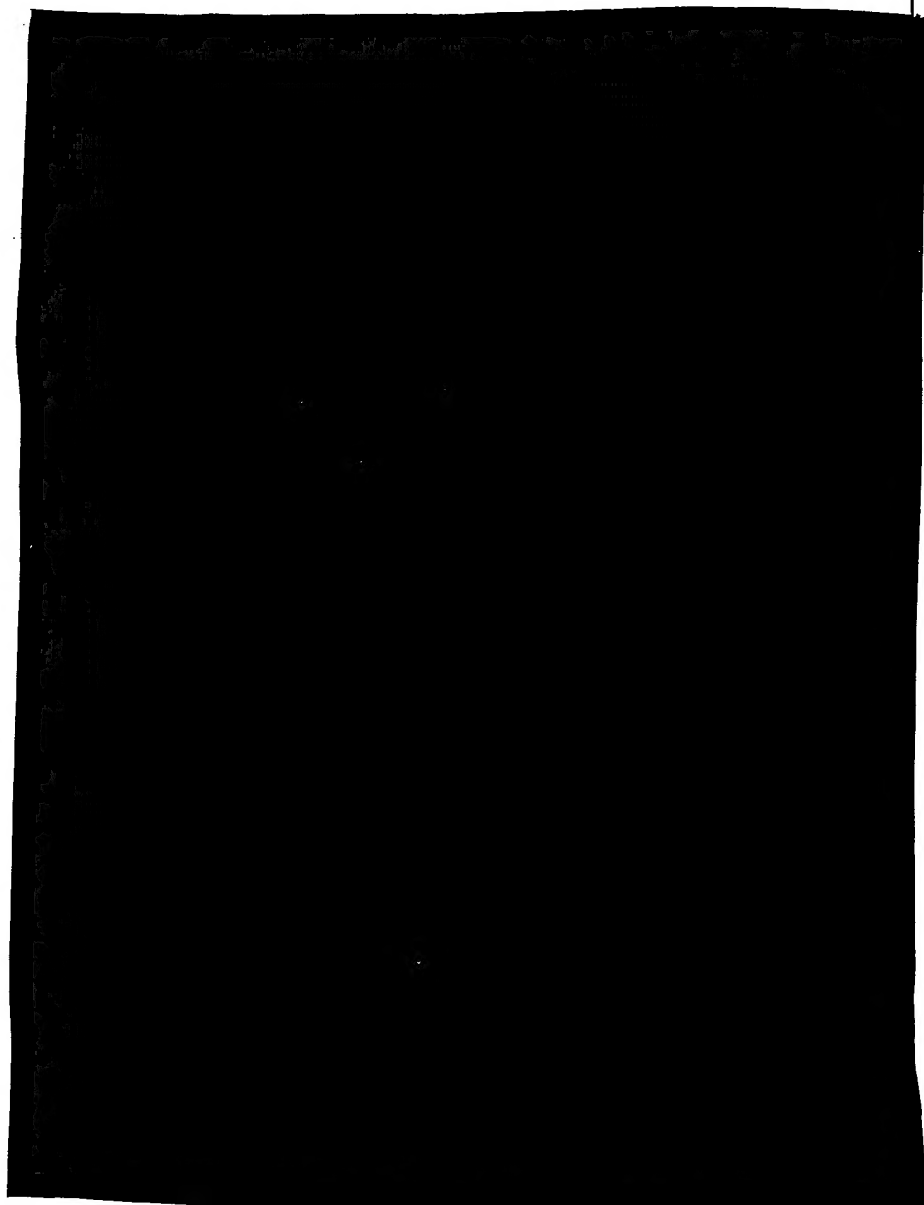
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